

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

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E.O. 11652: NA

TAGS: EGEN, RP

SUBJ: NEW PHILIPPINE REGULATIONS ON REMITTANCES OF ROYALTIES
AND OTHER CONTRACT PAYMENTS

1. PHILIPPINE CENTRAL BANK HAS ANNOUNCED NEW
REGULATIONS FOR REMITTANCE OF ROYALTIES AND PROCEEDS
FROM RENTAL AND DISTRIBUTION CONTRACTS. THESE
REGULATIONS SET FORTH RESTRICTIVE GUIDELINES FOR
ROYALTY AND OTHER CONTRACTUAL ARRANGEMENTS BUT PERMIT
FULL REMITTANCE OF PAYMENTS ARISING FROM QUALIFYING
ARRANGEMENTS. ARRANGEMENTS WHICH ARE NOT REVISED
WITHIN FOUR MONTHS TO MEET NEW GUIDELINES WILL
CONTINUE TO BE GOVERNED BY PRIOR REGULATIONS WHICH
GENERALLY RESTRICT REMITTANCES TO 50 PERCENT OF
ROYALTY AND OTHER PAYMENTS.

2. UNDER CENTRAL BANK CIRCULAR NO. 393 OF DECEMBER 7,
1973, (BEING POUCHED) ROYALTIES FOR MANUFACTURING
PROCESSES MUST BE LIMITED TO 5 PERCENT AND FOR USE OF
TRADENAMES TO 2 PERCENT. CONTRACTS MAY EXTEND FOR NO
MORE THAN FIVE YEARS AND SHALL NOT HAVE MANDATORY
RENEWAL PROVISIONS. ALSO, CONTRACTS CANNOT CONTAIN
RESTRICTIONS ON ACTIVITIES OF LICENSEES SUCH AS EXPORT
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PROHIBITIONS. MOTION PICTURE DISTRIBUTION CONTRACTS

SHALL LIMIT REMITTANCES TO 50 PERCENT OF GROSS PROCEEDS
MINUS LOCAL EXPENSES. CENTRAL BANK AND BOARD OF
INVESTMENTS ARE AUTHORIZED TO MAKE EXCEPTIONS ON CASE
BY CASE BASIS.

3. NEW REGULATIONS WILL PERMIT INCREASED REMITTANCES
FOR FIRMS, PROBABLY MAJORITY, WHOSE ROYALTY OR OTHER
CONTRACTUAL CHARGES AMOUNTED TO LESS THAN TWICE AS
MUCH AS PERMITTED UNDER NEW REGULATIONS. U.S. MOTION
PICTURE EXPORTERS, HOWEVER, ARE UNHAPPY ABOUT NEW
REGULATIONS. ALTHOUGH MAXIMUM REMITTANCE RATE HAS BEEN
INCREASED BY 10 PERCENT, THE BASIS FOR COMPUTATION UNDER
NEW REGULATIONS IS LOWER THAN GROSS PROCEEDS BASIS USED
UNDER PREVIOUS REGULATIONS.

4. ROYALTIES ON REPRINTS OF BOOKS WILL CONTINUE TO BE
GOVERNED BY EARLIER REGULATIONS WHICH LIMIT
ROYALTIES TO 15 PERCENT OF WHOLESALE COST AND PERMIT
50 PERCENT REMITTANCE FOR LOCALLY DISTRIBUTED BOOKS AND
100 PERCENT REMITTANCE FOR EXPORTED BOOKS.

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